Higher Time Frame Analysis Webinar

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PART ONE

- The higher time frame analysis should be the initial catalyst for even wanting to take a trade.
- We cannot manipulate the market, but we can get in sync with the market and hopefully ride the coat tails of the larger market participants.
- The markets as a whole are completely intertwined.
- Your long term goal should be to segregate yourself from the need to have someone holding your hand while trading. You want to be able to be an independent trader. You want to be able to rely on your own analysis and think independently.
- September - October is usually a time in the market when equities find a major low.
- In the image below, price is in the lower quadrant of the current monthly range. We cannot really utilize these levels right now, but if price happens to get to them at some point in time we need to be aware of them:



- The weekly chart will show you the same thing that the monthly chart will show you, but it will give you smaller swing highs and swing lows. There will be more dynamic support & resistance levels.
- Seasonal tendencies are rough approximations of when to anticipate a major shift in tides. When are markets really poised to change on the higher time frames? It will not give you precision to the very day.
- Seasonal tendencies can have a 6 week lead/lag.
- Avoid Non-Farm Payrolls and high impact speeches otherwise there is no need to fear economic reports.
- There are not support & resistance "zones," there are specific levels that price wants to get to.
- The 1 hour chart is the most tradable time frame in terms of high consistency and high probabilities.
- No setup should be considered that does not involve time frames on the 1 hour chart or higher.
- Horizontal lines are the best way to measure supply & demand at a specific price level.. trend lines do not accomplish this goal. The big bank traders do not care about trend lines.
- As a trader, you really want to fall in love with the 1 hour time frame. The 5 minute time frame is used for ENTRIES ONLY.
- If price ever trades to an intermediate term high or low, you want to be well aware of this. These are very good levels to watch out for.
- You always want to ask yourself, where has price traded from? What stops might be raided based on where price has traded from?
- When price breaks an intermediate term low to the down side, you would want to fade any kind of rally. The example shown is an ITL on a 1 hour chart.
- Sometimes it is scary when price breaches the 79% retracement and gets close to your stop, but you have to trust your higher time frame analysis.
- You need to take profits and then be willing to see your trade go through some sort of retracement.
- If you are going to purchase Forex education, you should really stick to Chris Lori.
- Chris Lori has a scalping course that he put together with Vic Noble.
- There are times when ICT will trade with a 40 pip stop, but the majority of his trades utilize a 30 pip stop.
- If it's more than 40 pips needed to take the trade, then he will probably avoid taking it and just wait for another opportunity or wait for a lower time frame to hopefully give an optimal trade entry that may be nesting within that same support & resistance level.
- With market flow, the 4 hour time frame is pretty reliant in terms of accuracy and consistency. It doesn't mean you ignore the daily time frame market flow, it just means you will get a whole lot of more setups on the 4 hour chart.
- 40 pips is considered a respectable swing (especially when pushing through a level of support or resistance).
- In the image below, the 4 hour market flow was broken to the down side on the low before where the Fib is

drawn. Because markets do not trade in a straight line you could go long on that bounce, but only expect it to get into the OTE area and not all the way to the top of the range.



- The 5 minute time frame gets you in trades. The 15 minute time frame is for managing your trades. Do not use the 1 hour time frame to enter trades. The 1 hour chart can be used for finding setups that are based on a higher time frame and it will give you an area of where to look for a bounce/entry on the 5 minute chart.
- Every price swing is anchored to an important high or low.
- The 200% extension is basically a measured price swing.
- If there is an intermediate term high that has formed, that is what you would want to draw your Fibs from. See example below:



- We can use trend lines to see where retail traders are likely to have their stops located and where they are expecting price to go:



- Trade right into bold faced candles.

- You can trade without indicators…
- Willams %R is ICT's favorite overbought/oversold indicator. He toggles between the 10 period and the 14 period.
- Indicators are phenomenal in reading overbought and oversold conditions ONLY WHEN they have the technicals supporting it and are happening at a level that we expect them to.
- Pay more attention to intermediate term highs & lows breaking when determining current market flow and don't concern yourself as much with the short term highs & lows.
- You can do so many things when you have the freedom and absence of having to go to work. You can wake up and determine whatever you want to do that day. This is a lifestyle that we are after. Pass it on to family members.
- "Sometimes it drives me crazy to see how much money falls into my account. It should be illegal..."

PART TWO

- It's best to look for pivot levels, nice round numbers, big/mid figure, etc. within optimal trade entry levels. You really want to try to look for those at the 62% or 70% retracement because if you try to get fancy and enter at the 79% retracement, then you might miss the trade.
- When we are looking at our charts, we are looking at the sell price.
- When buying you want to take the price that you want to get in and add the spread of the pair to that price for entries. When selling you just use the price that you want to get in the market because the chart is already displaying the sell price.
- Identify a price swing and wait for price to get into optimal trade entry. Then we want to wait for time and price to meet and this is our killing ground, because just simply entering in that OTE could leave you with a several hundred pip stop. The swing example shown is on the 4 hour chart which is why the stop would be so large if we didn't hunt a smaller OTE within it.
- Use 4 hour market flow when the trend is established, but if you are looking for a swing to reverse then you will basically be using support & resistance to trump market flow.
- Sometimes if you wait for confirmation, price can move away so fast that it turns into a low probability trade because it's already moving and your stop would still be in the same place.
- At 23:00 GMT (note it every day and watch what price does around this time) there is always a wiggle of some sort that kind of sets the tone for a fake out.
- The image below does not have an optimal trade entry to get short, but it is an example of a riptide reversal:



- It's nerve wrecking when you sit in a trade for a while and it doesn't move at all. It's pretty typical to see that going into non-farm payrolls. The market gets put into a tight little range and all of a sudden it explodes.
- Whenever you are trading, you don't want to be trading after the move starts taking place. You want to be accumulating your position in the time when it is consolidating. You can clearly see how as it was slowly falling it was being constantly sold into.
- Above they take it up and hold it there as other traders are expecting it to break out to the upside.
- In the image above, after price has made the initial move down, you could also look to get short once it starts consolidating again.
- When price is consolidating and there is no optimal trade entry like above, you want to be looking for SMT divergence to give you clues as to where price is going.
- When price is making lower lows and lower highs it is trying to tell you that it wants to go down. It is being distributed. The example shown was on a 4 hour chart.
- August is a month that you should keep your trading very thin. It can become unpredictable and choppy.
- The Z Day concept is universal. It can happen on any time frame.
- We use higher time frame analysis to frame the basis for a trade and then we use correlated pair or SMT analysis to get into the trade.
- In the image below we have the 79% retracement on the 1 hour chart overlapping with the 62% OTE short on the 4 hour chart. This is good confluence. It is the concept of overlapping Fibs. It really sets up high probability setups.
- You need to be doing this analysis on the higher time frames for all of your trades. Once price gets into areas from higher time frames then you STALK those lower time frame entry patterns such as optimal trade entry

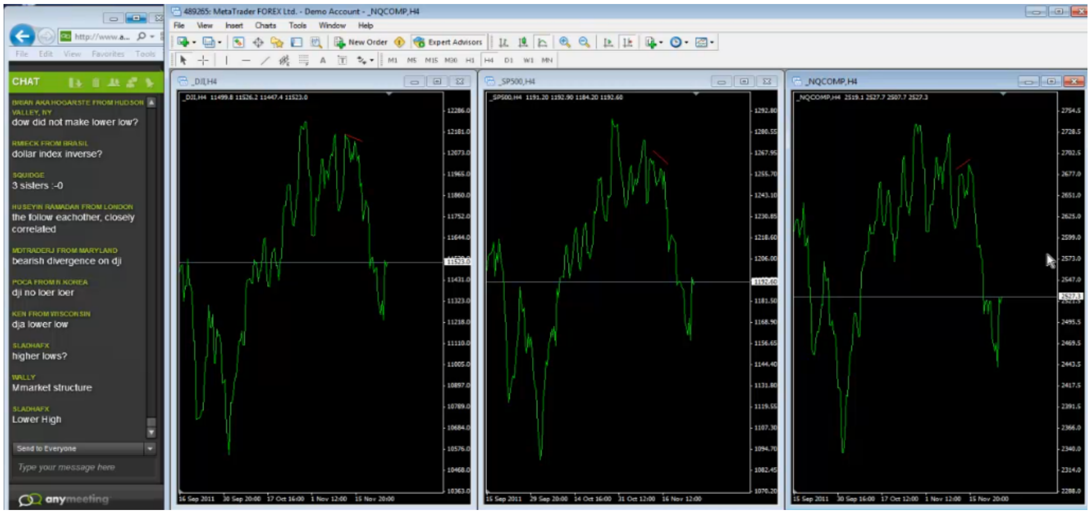
and SMT/correlated pair divergence.



- You are gambling if you are not hinging the premise of your trade on the higher time frames.
- 40 pips is the minimum pip range for a nice swing in a swing trade. He says this as he was pulling a Fibs over a swing on the 15 minute chart.
- The reason for using 40 pips is because we are normally entering between 62% - 79% retracement levels and we want to be able to pay ourselves 20-30 pips.
- You are going to be wrong on your analysis sometimes, you just have to accept that. Even when you are wrong in your analysis, you can still be profitable.
- When there is a lot of market symmetry these tools are like laser guided missiles, but the markets are not always trading like that.
- "Monday through Friday I am really looking for 3 handsome setups for the week. My directional bias is correct about 80% of the time on an every day basis. But, because I am not trading every day, my trading accuracy is even higher. I wait for theses types of setups from the higher time frame so that they are very high probability trades. A lot of times even when I am wrong, I am still showing a profit for the day."
- In trading, it is not about being right.
- ICT really hates the USD/JPY pair.
- For the AUD/USD, you would use NZD/USD as the closely correlated pair and that's how you would look for SMT divergence with it. One of the pairs will give you the setup. Maybe both of them will be very clear setups, those are very nice trades as well.
- ICT also doesn't like USD/CHF unless he is swing or position trading it.
- If you are a USD/JPY trader, you can use EUR/JPY as a correlated pair.
- Intermarket analysis is absolute gold.
- When you factor 2 markets into your analysis, it brings things into focus that would otherwise be unclear if you were just looking at one pair.
- If you are a stock trader you wouldn't just buy a stock based on just that stock's chart. You would wait for a time when stocks in general are poised to go up.
- Expansion or trend happens after consolidation.
- Always look to the left of your chart. Where is price coming from, where is it trying to get to, and what can we reasonably expect once it gets there.
- If we expect a bullish US Dollar then we can go to our pairs and expect a sell off.
- If the dollar is expected to go up then it is a risk off environment and stocks should be poised to go down. Commodities would also be poised to go down.
- If you are not assuming risk you want to be in treasuries or the US Dollar.

If we are looking to short foreign currencies, how can we use the equity markets to confirm that is a safe bet?
You can look for bearish divergences in the dow jones, S&P 500, and NASDAQ.

- The Smart Money tool is just using DOW theory in Forex.
- If we are looking for lower prices in the foreign currency market, we should expect lower prices in the equity markets as well.



- In conjunction with broken market structure, we should expect an OTE to form in the image below:





- Forex LTD. has stock index charts.
- Everything in the market is closely correlated.
- If you wait for these setups to form, you are not going to trade a lot.
- You can trade with a job with these types of setups.
- If the dollar really is poised to go higher, then what is everything else poised to do.
- Read anything you can get your hands on from Larry Williams.
- Larry Williams - The Secret of Selecting Stocks for Immediate and Substantial Gains is a really good book by Larry Williams.
- Larry Williams - How I Made A Million Dollars Trading Commodities Last Year is also an awesome book.